



Utility Assessment Overview

Keilah Heffington

January, 2009



Utility Assessment Overview

- Table of Contents Page 2
- Types of Utilities Assessed Page 5
- Annual Reports & Filing Page 6
- Gas & Electric Companies Page 10
- Bus companies Page 11



Utility Assessment Overview

– Pipelines	Page 12
– REMC's	Page 14
– Railroads	Page 15
– Telecoms	Page 18
– Water & Sewer	Page 20
– Obsolescence	Page 21
– 11A distribution	Page 25



Utility Assessment Overview

- Exempt Entities & P.I.L.O.T. Page 26
- Railroad Car Companies Page 27
- Omitted Filing Page 32
- Attorney General's Office Page 33
- Investment Deductions (UDID) Page 35
- Contact Information Page 38



Types of Utilities Assessed

Utility Type	# in State
Gas & Electric (light, heat, power)	37
Buses (regularly scheduled routes)	3
Pipelines (gas or oil)	37
REMCs	41
Railroads	38
Telecoms (land line, cellular, VOIP, satellite, paging company)	119
Water & Sewer	40
TOTAL (not including railcars)	315



Annual Reports & Filing in General

- Annual Returns for non-railroad car utilities
 - due statutorily by March 1
 - DLGF has always given until April 1 for filing
- Companies may request an additional extension for good cause
 - request it in writing
 - at least five days before April 1 (or the first Monday if the 1st is on a Saturday or Sunday).



Annual Reports & Filing in General

- June 1: statutory deadline for DLGF to mail all tentative assessments
- June 30: statutory deadline for scheduling and holding all preliminary conferences and issuing final assessment orders for those companies that appeal DLGF assessment.



Annual Reports & Filing in General

- Companies report historical or original cost of their property including intangibles.
 - The intangibles and any locally assessed property are removed from the assessment.
 - The property then subject to federal tax depreciation.



Annual Reports & Filing in General

- Gross additions deduction
 - 60 percent of the taxable value of the property
 - The first year distributable equipment is placed in service
- Construction work in process is added to the assessment at 10 percent of the depreciated value.



Gas & Electric Companies

- Require extra schedules for the deduction of air and water pollution control equipment.
 - Schedules A-3 and A-4
- These companies have definite situs distributable equipment (IC 6-1.1-8-9)
 - Generating station equipment
 - Power lines



Buses (with regular routes)

- Three companies currently assessed
- Add companies with regularly scheduled routes within the state
- Conduct a unitary assessment
 - Value all the buses and tires
 - Allocate based on Indiana mileage divided by total mileage. (Schedule A-8) (IC 6-1.1-8-7)



Pipelines

- Values trended annually based on factors from the Handy Whitman Index for gathering pipeline and transmission pipeline
 - 30-year schedule for each type of property
 - Value covers one mile of pipe – broken out by sizes and type. (Schedule A-6)



Pipelines continued

- Taxpayers fill out a schedule (A-7) that notes where their appurtenances or pumping equipment or meters are located.
- Total value of both schedules is apportioned throughout the state based on the miles of pipe they have in each taxing jurisdiction. (IC 6-1.1-8-10)



REMCs

- Rural Electric Membership Cooperative (REMC)
- Have option of reporting using federal accelerated tax depreciation or of filing schedule A-5
 - A-5 allows for additional depreciation over that allowable in federal reports, which is still less than federal accelerated depreciation.
- Their property values are divided out over their miles of distribution line. (IC 6-1.1-8-10)



Railroad Assessment

- Includes any and all operating property and improvements including:
 - rights-of-way
 - land used with operating improvements
 - personal property.
- Only property to be locally assessed is the non-operating property
 - Silo leased out to a farmer to store grain
 - Non-railroad business spur
 - Abandoned track.



Railroad Assessment

- Right of way and land is included in the total assessment, but not broken out by taxing unit on our return. It becomes part of the value per mile by type of track.
- Transflo facilities , if they are owned by a subsidiary of the railroad company, are considered to be part of the operating property and part of the state assessment.



Railroad Assessment

- Before selling any railroad property at tax sale, check the 11A for the proper mailing address of the railroad or contact me. It could save you from duplicate assessment.



Telecoms

- Per IC 6-1.1-8-15, State conducts:
 - Telephone
 - Telegraph
 - Cable companies (Note: cable television companies were excluded under IC 6-1.1-8-3(c).)
- This includes:
 - land based phone companies
 - cellular companies
 - cable telephone companies
 - at least one pager company
 - at least one satellite telecom.



Telecoms

- Property distributed over their network either by miles of line or wire, or by percentage of equipment at certain locations.
- Local Assessment = Towers on which the telephone company antennas are situated
- State Assessment = anything that has to do with the running of the telecom network



Water and Sewer Utilities

- Sewer: Generally located within one taxing jurisdiction.
- Water : may be small or very large. (IC 6-1.1-8-17 & 18)



Obsolescence

- Obsolescence : defined under IC 6-1.1-8-26 , 50 IAC 5.1-6-11, and 50 IAC 5.1-11
- Most obsolescence claims on telecoms and gas and electric companies
 - Have seen on railroads (Wisconsin Blue Chip Method) and the occasional pipeline company that has non-operating property.



Obsolescence

- DLGF will allow depreciation of non-functioning assets to be reduced to a salvage value.
 - The salvage value was 10 percent, but has been as low as 5 percent in extraordinary cases.
- Each claim is reviewed on a case by case basis.



Obsolescence

- The company must qualify and quantify their obsolescence under our definition and to our satisfaction.
- If mutual agreement cannot be made, our assessment is final. Company can appeal through Indiana Board of Tax Review.
- Final step for resolution is the Tax Court.



Obsolescence

- Complex due to the size and intricacy of the calculations and appraisals reviewed in short period of time.
- DLGF gives fair consideration. This may take time.
- For this reason, some cases have spanned a number of years for appeals.



11A Distribution

- Mid-July - 11A notices mailed to the county assessor, county auditor, and taxpayer.
- If not received by first part of August of the assessment year, please contact me.
- Total AV for 2008: \$10,454,758,060



Exempt Property and P.I.L.O.T.

- Exempt: Municipal and governmental properties
- P.I.L.O.T. (Payments in Lieu of Taxes)
 - Some companies file under local code.
 - Taxes figured based on DLGF methods (using the UD-45) and then AV reported directly to the taxing jurisdictions or county.
 - (The City of Indianapolis files P.I.L.O.T. under IC 36-3-2)



Railroad Car Companies (IC 6-1.1-8-12 & 35)

- Any private car owner that transports goods (personal property) through the state over the rail lines in private railroad cars
- We receive reports from the major railroads
 - CSX
 - Norfolk Southern
 - Grand Trunk/Canadian National
 - Canadian Pacific/Soo Line
 - Union Pacific.



Railroad Car Companies (IC 6-1.1-8-12 & 35)

- Reported mileage by taxpayer compared to reported mileage by railroads.
- 2007: 410 assessments processed
- 2008: 395 assessments processed



Railroad Car Companies (IC 6-1.1-8-12 & 35)

- Assessment notices and an excel worksheet sent to the taxpayer or preparer.
- Master listing to send to Dept. of Revenue for collections of the tax by December 31st of the assessment year.
- Use mileage from the prior year and do a unitary valuation.
- The money collected under IC 6-1.1-20 goes to support the rail commuter fund.



Railroad Car Companies (IC 6-1.1-8-12 & 35)

- If we have mileage, but no report, we send letters of inquiry and may file an omitted assessment for the taxpayer if they do not respond to any of our inquiries.
- Sent letters to 52 companies who filed zero reports
- Identified 65 potentially liable non-filers to be researched



Railroad Car Companies (IC 6-1.1-8-12 & 35)

- September 1: Deadline to mail all tentative assessments to railroad car companies
- September 30 : Deadline to hold preliminary hearings on appeals and mail out final orders of assessments on those that appeal.



Omitted Filing

- If a company does not file and we have received no information that they have sold or are out of business, we mail a letter to the company requesting information.
- No response = DLGF makes filing for them.
- This is applicable to all utilities, including railcar companies. (IC 6-1.1-8-22)



Attorney General's Office

- DLGF will notify state Attorney General's office of all late and omitted (failure to file) filers.
 - DLGF provides documentation showing our attempts to reach the taxpayer and obtain information as to their status.
- The penalty is \$100 per day that the return is late



Attorney General's Office

- DLGF tracks cases referred to AG's office.
- Money collected is deposited into the state general fund.
 - 2008: \$14,276.59
 - 2007: \$90,525.56
 - 2006: \$91,431.39
 - 2005: \$92,213.00 (largest collection to date)



Investment Deduction (UDIDs)

- The UDID (state form 52511) - created for utility companies to file for deductions under IC 6-1.1-12.4 for the investment deduction.
- 2009 is last year for this form.
 - Only information should be the third year claim for 2007's assessment year additions.



Investment Deduction (UDIDs)

- Worksheets and other documentation available at <http://www.in.gov/dlgf/2486.htm> under “General Forms.”



Questions?



Contact The Department

- Keilah K. Heffington
 - Telephone: 317.232.3756
 - Fax: 317.232.8779
 - E-mail: kheffington@dlgf.in.gov
- Web site: www.in.gov/dlgf
 - “Contact Us”: www.in.gov/dlgf/2338.htm